

Trade World

News for Exporters

March 2003

7 Ways Just-Negotiated Free Trade Agreement Can Boost Your Firm's Exports To Chile

After a long hiatus, new free trade agreements that will have a significant impact on the competitiveness of U.S. exports are suddenly sprouting up all across the landscape. The U.S.-Chile Free Trade Agreement (FTA), announced Dec 11, 2002, makes U.S. goods in Chile more competitive with goods originating in the European Union (EU) and Asia. The National Association of Manufacturers estimates the lack of a FTA with Chile has cost U.S. exporters nearly \$1 billion in annual sales. Since the U.S.-Chile FTA will set much of the framework for other FTAs now on the drawing board, it's important for export pros to study its provisions and position their firms to take maximum advantage of the new openings.

A second completed FTA, announced Jan 15, 2003, is the U.S.-Singapore FTA. Other FTAs currently in active negotiation include the U.S.-Central American (CAFTA) FTA, expected to be completed in 2003; the U.S.-Australia FTA; the U.S.-Southern Africa Customs

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Success for Small Business in China

It is often assumed that only large firms can successfully do business in China. In fact, many Small and Medium-sized Enterprises (SME's) are successfully doing business in China .

There is an excellent article in the January/February 2003 issue of The China Business Review - "The Small Fry Take on China ---- Learning from the experiences of others can help small businesses new to China avoid costly mistakes. Plus: Keys to Business Success in China" . The article is nine pages long and a perfect handout for small and medium-sized U.S. companies interested in China.

<http://www.chinabusinessreview.com/0301/gallant.html>

The China Business Review is published bimonthly by the US-China Business Council which has offices in Beijing, Shanghai and Washington DC.

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Union (SACU) FTA, which includes South Africa; and the U.S.-Morocco FTA. Looming behind all these is the Free Trade Area of the Americas agreement, embracing 34 Western Hemisphere nations, scheduled for completion by January 2005.

Seven Key Benefits of U.S. –Chile FTA

Chile provides U.S. exports with a particularly attractive environment:

- ◆ It is easy to finance exports in Chile;
- ◆ Chile has the simplest and most transparent import regulatory system in Latin America;
- ◆ Chile has the best credit rating in Latin America

Such factors have pushed U.S. exports to this market into the \$4 billion annual range, in spite of tough competition from EU and Asia exporters. The United States supplied over 22% of Chile's imports in 2001, up from 18% in 2000. In the seven years leading up to 2001, U.S. goods trade with Chile expanded by 44% and services trade by 37%.

The following are seven main features of the U.S.-Chile FTA that U.S. export pros can rapidly begin taking advantage of:

1. Tariff elimination. Over 85% of all U.S. consumer and industrial exports to Chile become duty-free beginning in March 2003. The remaining 15% of import duties will be phased out over 12 years according to a schedule. However, the majority of even this 15% will be eliminated over the next four years.

2. U.S. services exports. Under the FTA, the Chilean market is opened up to U.S. financial, insurance, banking, securities, express-delivery, and telecommunications providers with strong guarantees protecting electronic commerce.

3. Chilean government contract procurement. The FTA includes strong provisions guaranteeing U.S. firms transparent procurement procedures to sell products and services to Chilean government entities, including airports and seaports.

4. Intellectual property rights (IPR) provisions. Board guarantees and protections for U.S. patents and trade secrets exceed those negotiated in previous U.S. trade agreements. State-of-the-art protections and

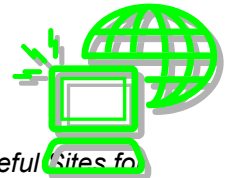
nondiscriminatory treatment are provided for digital products.

5. Agricultural exports. Within four years, 75% of U.S. agricultural exports to Chile will enter duty-free, with all tariffs eliminated within 12 years. U.S. agricultural exporters' access to Chilean markets will be as good or better than the EU or Canada, both of which already have FTAs with Chile.

6. Simplified rules of origin. These provisions are designed so only U.S. or Chilean goods benefit from the FTA but are also more "user-friendly" than current NAFTA rules of origin.

7. Streamlined customs procedures.

WORLD Wide Web



From the Sample Copy of *Really Useful Sites for International Trade Professionals*, FITA's free bi-weekly newsletter. To get your own subscription, go to <http://fita.org/usefulregister.html> and enter your email address.

WWW RESEARCH TOOLS

<http://www.virtualsalt.com/search.htm>

People are always asking me how to find answers to their questions on the Web. I try to point them in the right direction, by giving them some useful Web sites to check out. Now that I've discovered World Wide Web Research Tools <http://www.virtualsalt.com/search.htm>, I'll just send them there. They'll find a no-frills site -- basically just a page of links, but it's got everything you need for successful Web searching. There are links to all the major search engines (and lots of specialty engines you probably didn't know about), plus sites where you can search news outlets, government agencies, image collections, specialized databases, and much more. If you can't find what you're looking for after using this page, the answer is probably not on the Web.

ASIAN PUBLIC HOLIDAYS

<http://www.asiasource.org/events/asiaholidays.cfm>

I love holidays, and it never ceases to amaze me the variety of holidays that are celebrated around the world. I haven't checked, but I think there's a holiday being

celebrated somewhere every day of the year. If you need to know the holidays for any country in Asia, go to Asian Public Holidays where you'll find a handy listing. The list includes fifty countries, including ones like Afghanistan and Iran, so this is a useful resource for many travelers and businesspeople. There are also links at this site to news, maps, statistics, travel guides, recipes, and lots of other information about Asia.

HARVARD'S GLOBAL TRADE NEGOTIATIONS PAGE

<http://www.cid.harvard.edu/cidtrade/index.html>

You have to stay abreast of developments in global trade policy if you want to succeed at international trade, and one of the best ways to do this is through Harvard University's Global Trade Negotiations Home Page. Although this site may seem to be just for academics, there's plenty here for you practical business types. For example, you'll find breaking news about trade from worldwide media; in-depth articles on major issues like biotechnology, e-commerce, intellectual property, market access, and others affecting trade; research papers; links to governmental agencies and non-governmental organizations; statistics, and much more. There's a lot of useful information here, and it's updated regularly.

Ask the Trade Information Center:

Harmonized System Schedule B Numbers

by JoAnn Queen

Trade Information Center

On a daily basis, millions of products from the United States and elsewhere enter markets around the world. A crucial aspect of this constant stream of goods is the proper identification and documentation of those products for customs purposes. For every item, there is a customs classification number that ensures that customs authorities recognize the product and that the appropriate customs fees are assessed. These numbers are also used to obtain tariff rates, complete export documentation, and conduct market research.

What is an HS or HTS number?

The World Customs Organization, formerly the Customs Cooperation Council, developed the Harmonized Commodity Description and Coding System, also called the Harmonized System (HS). The HS is recognized by 179 countries and customs or economic unions, representing 98 percent of world trade.

The HS assigns six-digit codes that represent general

categories of goods. Countries that use HS numbers are allowed to define commodities at a more detailed level, but they must "harmonize" the first six-digits to the HS framework. Each country can assign up to four additional numbers, making the entire number up to 10 digits. Using these codes ensures that customs officials are referring to the same item when classifying the product and applying the tariff rate.

The U.S. tariff schedule, or Harmonized Tariff Schedule (HTS), is based on the international HS nomenclature. The 10-digit HTS numbers are used on U.S. import documentation and to obtain U.S. tariff rates.

What is a Schedule B number?

In the United States, numbers used to classify exported products are called "Schedule B" numbers. Similar to the HTS, the Schedule B system is also based on the international HS, but the U.S. Census Bureau administers it. The Schedule B number, not the HTS number, must be provided on the Shipper's Export Declaration (SED). Using these numbers, U.S. export statistics are calculated from SEDs by the Census Bureau. Schedule B numbers cannot be used for classifying products for importation into the United States.

Is there a difference between HTS and Schedule B numbers?

Yes, in the United States, HTS numbers are used for import documentation, while Schedule B numbers are used for export documentation. Both Schedule B and HTS numbers have the same first six digits, however at the 10-digit level the codes can be different. For example, Schedule B and HTS codes show differences for the number 4801.00.00 (newsprint, in rolls or sheets).

Schedule B:

48
4801.00.00.02

HTS:

48
4801
4801.00.00.20
4801.00.00.40

The HTS number tends to be more detailed.

There are about 9,000 export codes (Schedule B) and approximately 12,000 import numbers (HTS). It is usually okay to use the more detailed HTS number on export documents, but that is not always the case. The Census Bureau's Foreign Trade Division Web site (www.census.gov/foreign-trade/www) contains a list of HTS numbers that cannot be used to report exports.

How are Schedule B and HTS numbers organized?

Schedule B and HTS numbers are organized by chapters, beginning with 01 (live animals and animal products) and ending at 97 (works of art, collectors' pieces, and antiques). The United States and certain other countries also use chapters 98 and 99 to cover special categories of products, such as goods temporarily imported for repair or alteration (United States), donations of clothing and books for charitable purposes (Canada), and household and other

goods imported by someone resuming residence in the country (New Zealand). Beneath each chapter, there is a heading and then a subheading that further describes the product. HTS numbers for various products break down in the order outlined below:

Chapter = first two digits
Heading = first four digits
Subheading = first six digits
Tariff item = up to 10 digits total

For example, the following is a breakdown of a "men's cotton raincoat" and its HS number 6201.12.2010:

Chapter: 62 – Apparel articles and accessories, not knit, etc.

Heading: 6201 – Men's or boy's overcoats, raincoats, carcoats, capes, cloaks, anoraks (including ski jackets), windbreakers and similar articles (including padded, sleeveless jackets):
Overcoats, carcoats, capes, cloaks and similar articles.

Subheading: 6201.12 – Of cotton

Tariff item: 6201.12.2010 – Men's raincoats

How do I classify my product?

The first step is to understand the product well, particularly its material and how it will be used. Sometimes, the details may make a difference in its category. For example, hammers are classified in several different chapters, and it is important to know if the hammer is electric or pneumatic and whether it is made of metal, wood or rubber.

Next, visit the Census Bureau's Schedule B Search Engine at www.census.gov/foreign-trade/schedules/b. You may either browse through the chapters or search for a Schedule B number. To begin, click on "Search" and enter a key word in the search box; then click search. The results will be listed two different

UPCOMING LOCAL EVENTS

March 9-11: The Global Economy: Promises and Perils of an Uncertain Frontier, University of Nebraska Kearney
<http://www.unk.edu/worldaffairs>

March 12: Going Global 101, Grand Island, Contact Meredith Bond for more information

March 20: Midwest International Trade Association (MITA) First National Tower tour

April 15-16, 2003 – MITA - Update on Customs Programs two day training

May 14, 2003 – MITA - World Trade Conference

June 5, 2002 – MITA -Golf Outing at Tiburon

For more information on MITA programs, visit

www.mitaonline.org

